Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

C-2459

EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY COUNCIL
WASHINGTON

July 1, 1959

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

SUBJECT: Preparation and Use of Financial Appendices in Connection with Policy Recommendations by the National Security Council

REFERENCES: A. Memo for NSC from Executive Secretary, same subject, dated May 11, 1954
B. NSC Action No. 1118

The President has this date approved the enclosed statement on the subject, prepared by the NSC Staff and concurred in by the NSC Planning Board, and directs its use by all appropriate Executive departments and agencies of the U. S. Government as the basis for preparation of financial appendices in connection with policy recommendations by the National Security Council.

The enclosure supersedes the statement transmitted by Reference A.

Per memo for NSC, 10 Nov 60, this memo remains valid and requires no updating.

James S. Lay, Jr.

JAMES S. LAY, JR.
Executive Secretary

cc: The Secretary of the Treasury
The Attorney General
The Director, Bureau of the Budget
The Chairman, Atomic Energy Commission
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence
The Chairman, Interdepartmental Intelligence Conference
The Chairman, Interdepartmental Committee on Internal Security

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

PREPARATION AND USE OF FINANCIAL APPENDICES IN CONNECTION WITH POLICY RECOMMENDATIONS BY THE NATIONAL SECURITY COUNCIL

Introduction

1. The President has directed that recommendations by the National Security Council include information as to the costs of the programs necessary to carry out such policy. Accordingly, each policy statement presented by the Council, with certain exceptions, will contain a Financial Appendix prepared to conform with this instruction. The exceptions to this instruction include (1) policy proposals having no or only minor cost implications; (2) policy proposals relating to programs of a particularly sensitive nature for which special arrangements have been made.

2. The Financial Appendix should reflect the cost implications of carrying out the new policy which the statement proposes. Any significant change in an existing program shown in the Financial Appendix must be based upon the policy proposal and fully explained in the Financial Appendix. The Financial Appendix should not in itself presume to dispose of policy issues.

Information to be Included in a Financial Appendix

3. The Financial Appendix should present:

a. Cost estimates to carry out the policy based on the best available information at the time of preparation, i.e., the cost implications of the proposed new policy by programs and by expenditures, including identification of specific aid commitments and costs related thereto. It is not necessary to project costs with precision--a broad order of magnitude estimate is sufficient. In many cases, estimates of cost may necessarily be very rough, and where appropriate may be expressed as a range. In arriving at cost estimates for the proposed new policy, emphasis should be directed primarily at determining the amount of U. S. resources needed to carry out the policy, tempered with some measure of judgment as to the availability of funds.

b. Other pertinent financial data, if any, bearing on the magnitude of the program, such as prior expenditures, available appropriations, etc.

c. Any assumptions necessary to explain the basis upon which the foregoing estimates and statements are made.

4. Every Financial Appendix submitted to the Council will bear the following standard caption:

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

> Cost estimates in the Financial Appendix indicate order of magnitude only.
>
> Approval of the policy statement does not indicate approval of cost estimates in the Financial Appendix and is not to be interpreted as Council endorsement of, or limitation upon, the size of particular programs.
>
> Appropriations and expenditures to finance the policy will be subject to determination in the regular budgetary process.

5. In general, all Financial Appendices will follow the form of the attached Financial Appendix. In any case where the attached form of Financial Appendix is not suited to the substance of a policy statement, the NSC Staff will be responsible for outlining a form appropriate to the occasion.

Procedures for Preparation of Financial Appendices

6. Departments and Agencies

a. When a proposed policy covers programs which are the operational responsibility of one agency or a coordinating committee (such as IIC or ICIS), the initial draft of a policy statement prepared by such agency or committee for circulation to the Planning Board will be accompanied by a Financial Appendix.

b. In other cases, i.e., where more than one agency is involved, the initial draft of a policy statement prepared for circulation to the Planning Board will be accompanied by Part A of the Financial Appendix, prepared by the NSC Staff pursuant to c below.

c. Part A - Cost Implications of Existing Policies

Prior to the circulation to the Planning Board of the initial draft of a policy statement in accordance with paragraph 6-b, each interested department or agency will prepare financial information relating to its activities based upon existing policy, in accordance with the above instructions and Part A of the attached form of Financial Appendix, and will transmit the same to the NSC Staff.

The Department of Defense will prepare the necessary information relating to military assistance. The Department of State and ICA will prepare necessary information on economic programs and the educational exchange programs, consulting as necessary with other interested departments and agencies. USIA will prepare necessary information on the information program.

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

After the Planning Board Assistants have considered the initial draft of a policy statement, the responsible departments and agencies will prepare financial information based upon the proposed new policy, in accordance with the above instructions and Part B of the attached form of Financial Appendix, and will transmit the same to the NSC Staff for consolidation.

Alternative cost implications should be prepared after initial Planning Board discussion when the draft policy statement forwarded by the Board Assistants contains alternative recommendations on paragraphs of policy guidance involving substantial expenditures.

7. NSC Staff

a. The NSC Staff will consolidate the financial data received under paragraph 6-c from each interested department and agency and will circulate the consolidated Financial Appendix to the Planning Board.

b. The NSC Staff will be responsible for coordinating the views of all the departments and agencies involved, including the Bureau of the Budget, on the initial and succeeding drafts of the consolidated Financial Appendix, with a view of having available an agreed Financial Appendix for submission with the policy statement to the Council. To this end, the NSC Staff will, when necessary, convene a formal meeting of representatives of interested departments and agencies to review the Financial Appendix.

8. Bureau of the Budget

a. The Bureau of the Budget will advise and assist the NSC Staff in functioning under paragraph 7 above.

b. If the cost estimate of the Bureau of the Budget differs from that of any department or agency, the Bureau will discuss the differences with the NSC Staff and the department or agency in an attempt to arrive at an agreement.

c. If the policy statement under consideration involves expenditures of an agency not represented on the Planning Board (other than the Development Loan Fund and the Export-Import Bank), the Bureau of the Budget will identify such agency and assist the NSC Staff in securing the appropriate data.

9. Planning Board

a. The Planning Board will consider all financial information concerning a policy statement before making its recommendations to the Council.

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

b. In the case of a conflict of views as to cost estimates, the Planning Board may either defer consideration of the proposed policy statement pending further examination of the cost estimates or proceed on the basis of available information. In any case of conflict of views relative to cost estimates, the Planning Board will submit to the Council a summary thereof.

c. In case a department or agency indicates that the cost to carry out any aspect of the proposed policy statement will be additional to current programming, the Planning Board will take this factor into consideration in making its policy recommendations to the Council.

10. Council Consideration

The Council will consider all financial information transmitted to it by the Planning Board in presenting its recommendations to the President.

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

FINANCIAL APPENDIX

Cost estimates in the Financial Appendix indicate order of magnitude only.

Approval of the policy statement does not indicate approval of cost estimates in the Financial Appendix and is not to be interpreted as Council endorsement of, or limitation upon, the size of particular programs.

Appropriations and expenditures to finance the policy will be subject to determination in the regular budgetary process.

SPECIAL NOTES

1. All estimates are subject to the assumptions, footnotes, and summary explanations shown below in this Financial Appendix.

2. Although the Export-Import Bank was established by statute for the purpose of promoting the export of U. S. goods and services, Export-Import credits may normally also be expected to advance U. S. national security objectives. For this reason, data on Export-Import Bank lending is included in this Appendix.

3. The Development Loan Fund and the Export-Import Bank do not operate by programming the funds available to them among recipient countries, but in general await the receipt of applications for specific projects and act upon such applications according to their merits and the availability of financing from other sources. Neither the DLF nor the Export-Import Bank makes any forecast as to future commitments. These institutions, therefore, take no responsibility for the cost implications contained in this Appendix.

4. Similarly, data on P. L. 480 agreements are included because these agreements may be expected to serve U. S. national security objectives, even though a major purpose is the distribution of surplus agricultural commodities.

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

PART A -COST IMPLICATIONS OF EXISTING POLICIES

Table I. Current U. S. Programs or Authorizations

(Fiscal Years - Millions of Dollars)

	(Actual) 1957	(Actual) 1958	(Estimated) 1959
Military Assistance a/			
Technical Assistance			
Economic Assistance			
Lending Institutions:			
Development Loan Fund b/			c/
Export-Import Bank b/			c/
PL 480 Agreements d/			
Educational Exchange			
Information Programs			
Other, if any			

a/ Includes the value of all grant military assistance whether on a country, regional, or worldwide basis; but not the value of excess stocks. Country programs include: equipment and supplies; training; and construction and consumables. Regional or worldwide programs include: packing, crating, handling, and transportation charges; follow-on spare parts; and the cost of repairing and rehabilitating excess stocks.

b/ Loan Commitments

c/ (Actual figures as to date of Financial Appendix will be given in the table. A footnote should be added giving such information concerning the prospects for the remainder of the fiscal year as is feasible, depending on the period of the year in which the appendix is prepared.)

d/ At export market value; includes Title I and II agreements (Title III agreements where of special significance.)

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

PART A - COST IMPLICATIONS OF EXISTING POLICIES

Table II. Current U. S. Expenditures, Deliveries, or Disbursements

(Fiscal Years - Millions of Dollars)

	(Actual) 1957	(Actual) 1958	(Estimated) 1959
Military Assistance a/			
Technical Assistance			
Economic Assistance			
Lending Institutions:			
Development Loan Fund b/			c/
Export-Import Bank b/			c/
PL 480 Agreements d/			
Educational Exchange			
Information Programs			
Other, if any			

a/ Includes the value of all grant military assistance whether on a country, regional, or worldwide basis; but not the value of excess stocks. Country programs include: equipment and supplies; training; and construction and consumables. Regional or worldwide programs include: packing, crating, handling, and transportation charges; follow-on spare parts; and the cost of repairing and rehabilitating excess stocks.

b/ Disbursements. (Where significant, reference should be made in a footnote to repayments.)

c/ (Actual figures as to date of Financial Appendix will be given in the table. A footnote should be added giving such information concerning the prospects for the remainder of the fiscal year as is feasible, depending on the period of the year in which the appendix is prepared.)

d/ At export market value; includes Title I and Title II agreements (Title III agreements where of special significance).

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

PART A - COST IMPLICATIONS OF EXISTING POLICIES

Summary Explanation and Comments

I. Defense Comments

A. FY 1950-56 MAP fiscal data
B. Force goals -- strategic and MAP supported
C. U. S. military commitments
D. Description of grant aid programs and contents
E. Cost sharing programs; e.g., MWDP, FAP, NATO Infrastructure
F. Mutual Security Military Sales
G. Analysis of expenditure trends
H. Description in general terms of anticipated developments (and their effects) which would cause significant departures in the FY 1960-62 period from the aid levels shown in the tables for the FY 1957-59 period.

II. State and ICA Comments

A. Major economic assistance prior to FY 1957.
B. Economic (and where appropriate, political) commitments
C. Economic and technical assistance programs, including Defense Support
D. P. L. 480 agreements.
E. Educational programs
F. DLF and Ex-Im Bank loans
G. Where significant, grants and credits from international institutions and other free world governments.
H. Significant private investment.

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

PART B - COST IMPLICATIONS OF PROPOSED POLICIES

TABLE III. Projected U. S. Programs or Authorizations

(Fiscal Years - Millions of Dollars)

	(Est.) 1959	(Projected) 1960	1961	1962	Total 1959-62
Military Assistance a/					
Technical Assistance					
Economic Assistance					
Lending Institutions:					
Development Loan Fund	A single figure or range should be used to cover the combined lending activities of the DLF and the Ex-Im Bank over the four-year period. A footnote should indicate to what extent actual commitments during the current fiscal year are included in the total four-year figure.				
Export-Import Bank					
PL 480 Agreements b/					
Educational Exchange					
Information Programs					
Other, if any					

a/ Includes the value of all grant military assistance whether on a country, regional, or worldwide basis; but not the value of excess stocks. Country programs include: equipment and supplies; training; and construction and consumables. Regional or worldwide programs include: packing, crating, handling, and transportation charges; follow-on spare parts; and the cost of repairing and rehabilitating excess stocks.

b/ At export market value; includes Title I and II (Title III agreements where of special significance.)

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

PART B - COST IMPLICATIONS OF PROPOSED POLICIES

Table IV. Projected U. S. Expenditures, Deliveries or Disbursements

(Fiscal Years - Millions of Dollars)

	(Est.) 1959	(Projected) 1960	1961	1962	Total 1959-62
Military Assistance a/					
Technical Assistance					
Economic Assistance					
Lending Institutions:					
Development Loan Fund	A single figure or range should be used to cover the combined lending activities of the DLF and the Ex-Im Bank over the four-year period. A footnote should indicate to what extent actual disbursements during the current fiscal year are included in the total four-year figure.				
Export-Import Bank					
PL 480 Agreements b/					
Educational Exchange					
Information Programs					
Other, if any					

a/ Includes the value of all grant military assistance whether on a country, regional, or worldwide basis; but not the value of excess stocks. Country programs include: equipment and supplies; training; and construction and consumables. Regional or worldwide programs includes packing, crating, handling, and transportation charges; follow-on spare parts; and the cost of repairing and rehabilitating excess stocks.

b/ At export market value; includes Title I and II (Title III agreements where of special significance.)

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

PART B - COST IMPLICATIONS OF PROPOSED POLICIES

Summary Explanation and Comments

I. Defense Comments

A. Description of the grant aid programs for the period FY 1959-1962 with a general analysis of their content.
B. Discussion, as appropriate, of changed force goals, new policies and necessary assumptions underlying the programs described in (A) above.
C. Statement indicating generally those program costs which are clearly identifiable as being attributable to the proposed policies; referring where appropriate to the specific policy paragraphs.
D. Analysis of expenditure trends.

II. State and ICA Comments

A. Description of the estimated economic assistance and other programs for the period FY 1959-62.
B. Discussion, as appropriate, of considerations and assumptions underlying the programs described in A.
C. Statement indicating generally those program costs which are clearly identifiable as being attributable to the proposed policies; referring where appropriate to the specific policy paragraphs.

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9

ILLUSTRATIVE SCHEDULE OF PROGRESS OF AN NSC PAPER THROUGH THE NSC MECHANISM

Draft Policy Statement and Financial Appendix, Part A, circulated	March 2
Board Assistants First Meeting on Paper	March 9
Other Board Assistants Meetings, if necessary	March 12-13
Agency Contributions to Financial Appendix, Part B to NSC Staff	March 20
Planning Board First Meeting on Paper and Financial Appendix	March 24
Board Assistants Meeting (also meeting with NSC Staff on Financial Appendix when necessary)	March 25
Planning Board Final Meeting	March 31

Declassified and Approved For Release 2013/03/19 : CIA-RDP86T00268R000100010003-9